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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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RUHBANB/OKINAWA FLD OFC US FORCES JAPAN CP BUTLER JA PRIORITY
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INFO RUEHFK/AMCONSUL FUKUOKA 8881
RUEHNH/AMCONSUL NAHA 1255
RUEHNAG/AMCONSUL NAGOYA 7099
RUEHKSO/AMCONSUL SAPPORO 9464
RUEHOK/AMCONSUL OSAKA KOBE 2612
RUEHBJ/AMEMBASSY BEIJING 4397
RUEHMO/AMEMBASSY MOSCOW 2424
RUEHUL/AMEMBASSY SEOUL 0385
RUCNDT/USMISSION USUN NEW YORK 0792
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SIPDIS

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EAP/J, EAP/P, PM;
USTR FOR PUBLIC AFFAIRS OFFICE;
TREASURY FOR OASIA/IMI;
SECDEF FOR OASD/PA;
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

E.O. 12958: N/A

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SUBJECT: TOKYO MEDIA REACTION - FANNIE MAE/FREDDIE MAC
RESCUE

11. LEAD STORIES: Top stories on Wednesday morning included a downward revision of the economic outlook in Japan by the Bank of Japan, which predicted that this fiscal year's real growth rate will be 1.2 percent, 0.3 point lower than the previous estimate in March.

12. "U.S. Forced to Resort to Public Funds" On the USG package for rescuing Fanni Mae and Freddie Mac, the top-circulation, moderate Yomiuri editorialized (7/16): "...The USG made it clear that it will use public money if necessary. While the Bush administration had been negative about the use of taxpayer money, it has been forced to make a policy turnaround. It apparently reflects a strong sense of crisis on the part of the administration.... Bankruptcy of the two semi-public entities could trigger a global financial crisis, resulting in a plunge of trust in the dollar and a sharp decline in its value. It is a matter of course for U.S. authorities to adopt an unusual rescue package in order to avert such a scenario."

13. "Bold Stroke Holds Key" The liberal Tokyo insisted in an editorial (7/15): "The financial turmoil currently engulfing the U.S is far more serious and complex in its scope and mechanism than the situation Japan experienced before. Responding to the situation is proving difficult. The crisis-management capability of the U.S., which bears great responsibility for the world economy, is being tested."

CEKUTA